

Message Text

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(EDRC) REVIEW OF NORWAY

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1. WASHINGTON AGENCIES APPRECIATE MISSION'S THOUGHTFUL
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ANALYSIS AND COMMENTS (REFTEL). WITH PERHAPS ONE EXCEPTION
(SEE PARA 2 BELOW), LINE OF QUESTIONING SUGGESTED PARA 10
REFTEL IS MOST APPROPRIATE TO CURRENT SITUATION. WASHINGTON
AGENCY VIEWS AND COMMENTS FOLLOW.

2. AS MISSION AWARE, FUTURE RATE OF DEVELOPMENT OF

NORWEGIAN NORTH SEA GAS/OIL IS MATTER OF GREAT CONCERN TO USG AND OTHER IEA MEMBERS. THIS ISSUE, HOWEVER, THREATENS TO BECOME POLITICIZED IN 1977 NORWEGIAN PARLIAMENTARY ELECTIONS, WITH PRESENT GOVERNMENT BEING CRITICIZED OPENLY FOR PROMOTING TOO RAPID RATE OF DEVELOPMENT. EXTERNAL PRESSURE ON GON FOR FASTER RATE OF DEVELOPMENT COULD BE COUNTERPRODUCTIVE. CONSEQUENTLY, MISSION SHOULD EXERCISE APPROPRIATE CARE IN MANNER IN WHICH QUESTION OF 1977 INVESTMENT LEVELS IN OIL SECTOR IS RAISED. LOW-KEY REQUEST FOR EXPLANATION OF DISCREPANCY BETWEEN INDUSTRY AND GON INVESTMENT FORECASTS WOULD BE USEFUL DURING EDRC REVIEW,

BUT IT MIGHT NOT BE APPROPRIATE TO HIGHLIGHT THESE DIFFERENCES IN PUBLISHED ECONOMIC SURVEY.

3. DEVELOPMENTS IN SHIPPING SECTOR DESERVE CLOSE EXAMINATION. IF NORWEGIAN SHIPOWNERS ARE INDEED ORDERING NEW TONNAGE, IT WOULD BE USEFUL TO KNOW WHETHER THIS REPRESENTS NET ADDITION TO NORWEGIAN MERCHANT MARINE OR REPLACEMENT/UPGRADING OF EXISTING FLEET. IF THE LATTER, WILL OLD VESSELS BE SCRAPPED OR SOLD? IN ADDITION, IF GON EXPECTS MAJOR TURNAROUND IN SHIPPING MARKET, WE WOULD LIKE TO KNOW THE BASIS FOR THEIR OPTIMISM.

4. MACRO-ECONOMIC EFFECT OF 1977 BUDGET SHOULD BE FULLY EXPLORED. A BUDGET IN WHICH EXPENDITURES (UP 24 PERCENT) INCREASE MUCH MORE RAPIDLY THAN ANTICIPATED REVENUES (UP 12 PERCENT), WITH RESULTING RECORD 16.4 BILLION KRONER DEFICIT (SEE OSLO 5298), SHOULD HAVE STRONG STIMULATIVE EFFECT. WE WOULD ALSO BE INTERESTED IN LEARNING WHY SECRETARIAL OFFICIAL USE

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SECRETARIAT DIFFERENTIATES BETWEEN OIL REVENUES AND OTHER INCOME (PARA 7 REFTTEL) IN ITS ANALYSIS. DOES GON INTEND TO USE RISING OIL REVENUES TO REDUCE LEVEL OF TAXATION (INCOME TAX AND/OR VAT)?

5. WE DOUBT THAT LARGE 1976 INCREASE IN FARM INCOMES WILL CAUSE WAGE EARNERS TO SEEK LARGER INCOME SHARES IN 1977. AS WE UNDERSTAND SITUATION, FARM INCOMES ARE TIED TO WAGE INCREASES, NOT VICE VERSA, AND INCREASE IN 1976 REFLECTED SUBSTANTIAL 1976 INCREASE IN HOURLY WAGES.

6. SECRETARIAT AGAIN URGES GON TO MAKE GREATER USE OF INTEREST RATES AS TOOL OF MONETARY POLICY. THIS IS CONSISTENT THEME IN SECRETARIAT ANALYSIS, REPEATED YEAR AFTER YEAR. DOES SECRETARIAT BELIEVE THAT, BASED ON PAST EXPERIENCE, NORWEGIAN PERFORMANCE HAS BEEN UNSATISFACTORY? UNLESS PAST PERFORMANCE IS INADEQUATE, THERE WOULD APPEAR TO BE LITTLE RATIONALE FOR NEW MIX OF MONETARY POLICY

INSTRUMENTS. DURING 1967/68 GON SWITCHED FROM SYSTEM OF
DIRECT CONTROL OF CREDIT VIA NEGOTIATED AGREEMENTS WITH
THE CREDIT INSTITUTIONS TO MORE CONVENTIONAL SYSTEM BASED
INTER ALIA ON VARIABLE DEPOSIT REQUIREMENTS. IT MIGHT BE
USEFUL TO COMPARE RECENT PERFORMANCE WITH PRE-1967-68
PERIOD.
ROBINSON

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